CANADEXPORT

www.canadexport.gc.ca

Volume 24 > Number 19
November 15, 2006

Big opportunities in modern day Egypt

This special issue highlights where the biggest opportunities are in Egypt for Canadian exporters.

"Egyptians recognize that Canada is a source of leading edge technologies and expertise in many fields," says Richard Dubuc, Senior Trade Commissioner with the Canadian Embassy in Cairo.

Government of Egypt

Egyptian President Hosni Mubarak (left) and Prime Minister Ahmed Nazif at the launch of the 450-acre high-tech "Smart Village," just one way the country is modernizing its ICT infrastructure.

In Egypt's education sector, Canada is recognized as a leader when it comes to providing quality education and developing schools, training centres and universities. With high student enrolment and a government committed to reform, this market is looking up for Canada.

Canada has also noted the immense potential in Egypt's information and communication technologies (ICT) sector, which is becoming one of the best outsourcing destinations.

And when it comes to agriculture, there is a lot of room for growth since the country imports most of its food. With rising incomes and lower tariffs on agricultural products, opportunities should be plentiful.

As for oil and gas, this sector accounts for about 9% of Egypt's gross domestic product and the country is now the seventh-largest liquefied natural gas exporter in the world. It has also become one of the largest domestic gas markets in Africa and the developing world.

With significant growth in these and other sectors, Egypt is fast becoming the ideal springboard market to the rest of Africa, Europe and Asia. With a soaring gross domestic product, buoyed by a growing population, Egypt is a place Canadian exporters can't afford to miss out on.

"After all," says Dubuc, "Canadian companies stand out as excellent partners with innovative services."

For more information on these business opportunities, turn to pages 4, 5 and 6.

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Get your product or service on the road

Cairo

Alexandria and Cairo, February 25-March 1, 2007 > Canadian companies are invited to participate in a multi-faceted business event designed to promote Canadian products and services in Egypt as well as two-way investment. This event includes a catalogue and trade show and coincides with a trade mission to North Africa led by the Canada-Arab Business Council (CABC).

"Participating in a catalogue show is probably the most cost-effective way of introducing and promoting goods and services to a wide range of key buyers and decision makers in a new market," says Tarek Meguid of the Canadian Embassy in Cairo.

To participate, all exporters have to do is send brochures and promotional material which will be displayed and interested local companies will be encouraged to contact participants directly. During the catalogue show, a member of the trade section of the Canadian Embassy in Cairo will also take note of any expression of interest and relay them to exporters.

In addition to the catalogue show, exporters may wish to attend a multi-sector trade show, two general sessions with key Egyptian ministers, thematic seminars (including one on franchising) and sector-specific roundtables.

One-on-one meetings with pre-selected local government officials and businesspeople, not to mention a networking reception hosted by the Canada Egypt Business Council (CEBC), will be organized for members of the Canadian trade mission delegation.

The event will provide an excellent opportunity for Canadian businesses to showcase their products, services and technologies in the Middle East's largest market. Although companies from all sectors are welcome, emphasis will be put on agriculture and agri-food, financial services, information and communication technology, energy and transportation.

The event is being organized by the Canadian Embassy in Cairo, in collaboration with the Canadian Chamber of Commerce in Egypt, the CEBC and the CABC.

To participate in the catalogue show and/or to be one of the sponsors for this event, contact Tarek Abdel Meguid, Canadian Embassy in Cairo, tel.: (011-202) 791-8700, fax: (011-202) 791-8865, email: tarek.meguid@international.gc.ca.

For a booth in the trade show, contact Rejan Rashad, Canadian Chamber of Commerce in Egypt, tel.: (011-202) 451-0033/0044 and 452-1440, fax: (011-202) 451-0099, email: info@cancham.org.eg, website: www.cancham.org.eg.

To join the CABC trade mission, contact Richard Mann, Canada-Arab Business Council, tel.: (416) 362-0050, fax: (416) 362-7633, email: info@canada-arabbusiness.org, website: www.canada-arabbusiness.org.

The deadline for expressions of interest is December 15, 2006.

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CanadExport is published twice a month by Foreign Affairs and International Trade Canada's Communications Services Division. Circulation: 52,000

CanadExport *paraît aussi en français.*

ISSN 0823-3330

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Egypt takes an economic leap forward

The busy skylines of Alexandria and Cairo will tell you that Egypt is in the midst of a major economic expansion. Reforms that began in the 1990s have had a positive effect on the country's private sector, which is now playing a pivotal role in driving Egypt's burgeoning economy.

"The most effective reforms were the de-pegging of the Egyptian currency to the American dollar and the nomination of Prime Minister Ahmed Nazif, a McGill graduate, and a reform-friendly cabinet," says Richard Dubuc, Senior Trade Commissioner with the Canadian Embassy in Cairo.

In 2005, Egypt's government made unprecedented progress in the areas of tax reform, public finance management, monetary policy, privatization and financial sector privatization.

Its efforts did not go unnoticed. In 2005, the World Bank ranked Egypt sixth in terms of progress in implementing economic reforms. In addition to these major reforms, the country made improvements to its infrastructure, healthcare services and education system.

Challenges remain

"There is still a pressing need to reduce the heavy burden of subsidies," says Dubuc. "Energy subsidies (gasoline, natural gas and electricity), for example, amount to around $4 billion a year. The Egyptian government also subsidizes food items like bread and sugar."

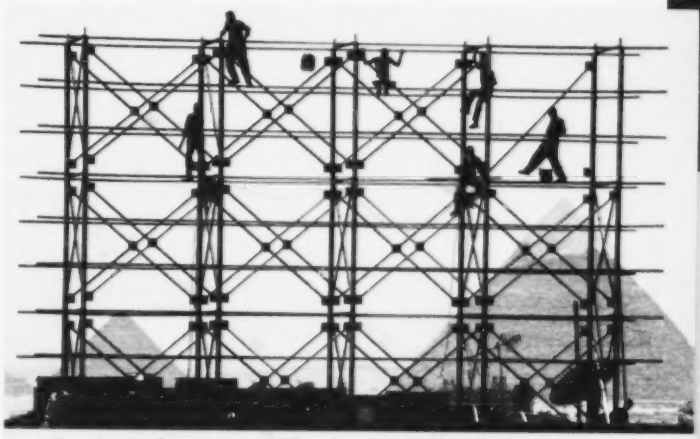
Dubuc says other challenges include a general lack of transparency and a dearth of middle managers and technocrats.

"More than ever, the Egyptian government is aware that in order to achieve growth and meet the needs of its growing population, Egypt has to become more export-oriented," says Dubuc. "Egypt is emerging from its socialist past and moving ahead with the next phase of its reform plan which aims at reducing the structural impediments to higher growth and job creation, like large fiscal deficits, unproductive public expenditures, red tape, deficiencies in financial intermediation and labour market rigidities."

Given these economic leaps forward, observers say the future looks good. *The Economist* predicts that growth in Egypt's gross domestic product will reach 6% in 2006/07 compared to 5.6% for 2005/06. Significant growth is expected in the tourism and petroleum industries, but also when it comes to foreign investment.

Better climate for investors

Egypt's progress to date has improved its profile in international capital markets. As a result, foreign direct investment (FDI) and inward portfolio flows have risen sharply. Investment firm J.P. Morgan also noted Egypt's improvement in an investment climate study, which states that FDI is expected to reach $5.5 billion in 2006. Egypt's stock market is also the most active in the region and was the top performer in 2005.



Egyptian workers put up a billboard in front of the pyramids of Giza. Egypt has undergone a series of economic and political reforms that many have said are long overdue.

Canadian direct investment to Egypt, estimated at $400 million for 2005, is also on the rise and is mostly in the oil and gas sector. These figures are likely to increase substantially when two major petrochemical projects worth more than $2.5 billion in total come on stream. In fact, these projects will position Canada as one of the top five foreign investors in Egypt.

So what does all this mean for Egypt's economic place in the world? According to Dubuc, Egypt is becoming a hub for Europe and the Middle East. It enjoys competitive advantages in terms of labour and energy costs and its location on the Mediterranean and the Red seas allows for low transport costs, particularly to Europe. Many manufacturing

see page 7 - Trade agreements

Oil and gas reserves have investment potential

With Egypt planning to increase its total production of oil, gas and petrochemicals by investing $25 billion in new technologies and infrastructure, Canadian companies may want to do some exploring of investment opportunities.

Joseph Tadros, a trade commissioner with the Canadian Embassy in Cairo, says the most potential for Canadian companies lies in exploration, enhanced recovery, oil shale and capacity-building, as well as technology transfer.

"Canada enjoys an excellent reputation in the market with an increasing number of Canadian companies active in the sector," says Tadros. "Collaboration in the oil and gas sector is indeed flourishing with Canadian investments on the rise, reaching some $400 million per year."

In the petrochemical field, two Canadian companies are already making inroads. They have partnered with Egypt's government to implement mega projects estimated at $2.5 billion. When these projects come on stream, Canada will become one of the top five sources of foreign direct investment in Egypt. Canada is also a partner in capacity-building and ensuring high-quality skilled manpower meet local and regional needs.

Black gold

Tadros says the oil sector remains one of Egypt's main sources of hard currency and continues to contribute substantially to the Egyptian economy. In 2005, Egypt's trade was boosted by $4.8 billion from oil and gas exports, which amounted to 12% of the country's gross domestic product. The industry also accounted for some $3 billion in foreign direct investment.

Industry observers conservatively estimate that Egypt has six billion barrels of proven oil reserves and its crude oil production is set at 690,000 barrels a day—modest numbers for the region.

"Egypt is looking to maximize its current reserves through the implementation of new technologies that can tap new sources of crude. It is also encouraging foreign partners to undertake deep water offshore explorations and exploit untapped areas. Until now, however, most discoveries yield natural gas and not oil," says Tadros.

Natural gas

Natural gas is likely to be the main driver of future economic growth due to major recent discoveries. Egypt is now the seventh-largest liquefied natural gas exporter in the world. It has also become one of the largest domestic gas markets in Africa.

Natural gas production averages 4 billion feet per day and proven reserves stand at 68 trillion cubic feet. Tadros says Egypt's government wants to increase reserves to 100 trillion by 2015.

For more information, contact Joseph Tadros, Canadian Embassy in Cairo, tel.: (011-202) 791-8700, fax: (011-202) 791-8865, email: joseph.tadros@international.gc.ca, website: www.infoexport.gc.ca.

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Food sector opportunities aplenty

Although Egypt's famously fertile land enables farmers to produce some of the world's highest yields, about two-thirds of all food consumed in Egypt is imported, making the country one of the world's largest food importers. Given that Canadian agricultural exports to Egypt only totalled $38 million last year, there is a lot of room for growth.

But Canadian prospects look good given the economic reforms Egypt has undertaken, especially since Canadian wheat sales to Egypt in 2006 will surpass $100 million—a record total for one year.

"The appointment of two successive economically liberal cabinets is good news for Canada," says Magdy Ghazal, a trade commissioner with the Canadian Embassy in Cairo.

"The latest cabinet has reasserted Egypt's commitment to developing a market-driven economy. The improved outlook will increase the number of Egyptians able to afford imported food, and in time reduce the proportion of Egyptians reliant on state provisions."

Ghazal says demand has been supported by a sharp reduction in tariffs on both capital and consumer goods. The average tariff fell to 9.1% from 14.6%, and particularly notable reductions were made to tariffs on meat (from 80% to 22%) and beans (from 33% to 5%).

However, Canadian food exporters should keep in mind that some food products still face impediments, including high import tariffs—including 300% on most wine and alcoholic beverages—and stringent entry control requirements. But Ghazal says the opportunities outweigh the obstacles.

Ripe for the picking

After all, agriculture is one of Egypt's most important sectors, accounting for 17% of the country's gross domestic product. Moreover, some 40% of all Egyptian imports were agricultural products totalling some $7.1 billion. So how can Canadian exporters take advantage of this potential?

"The economic and social changes, not to mention the large tourist base, have led to an increase in demand for top-quality processed and semi-processed food products.

Parts of Egypt are fertile, but it still relies heavily on foreign food imports.

The Egyptian market is showing good prospects for products such as cheese, butter and canned foods," says the trade commissioner.

Ghazal also points out that substantial opportunities exist for Canadian exporters of bulk food products such as wheat, pulses and oil seeds. Demand is also strong for animal feed, peat moss, dairy cattle and genetic material, not to mention tobacco, dairy products, crude vegetable oil (canola) and seed potatoes.

As with any new market, exporters have to be prepared for Egypt.

"Export success in Egypt can be foiled through a lack of understanding of the marketplace so a good marketing plan is critical. The Canadian Trade Commissioner Service, through the Canadian Embassy in Cairo, can be instrumental in helping Canadian exporters that are considering Egypt," says Ghazal.

For more information, contact Magdy Ghazal, Trade Commissioner, Canadian Embassy in Cairo, tel.: (011-202) 791-8776, fax: (011-202) 791-8865, email: magdy.ghazal@ international.gc.ca, website: www.infoexport.gc.ca.

Tips to beat the competition:

- √ ensure prices are competitive
- √ undertake sufficient local promotion and advertising
- √ offer competitive financing terms
- √ adhere to Arabic labelling and packaging requirements
- √ take time to understand the local distribution system
- √ become familiar with customs and health regulations

Market for education services tops in Middle East

It's no surprise that opportunities for Canadian providers of education services are huge when the average Egyptian family spends around 40% of its income on education, and the country ranks first in the Middle East when it comes to student enrolment.

Ahram Canadian University

Tarek Meguid, a trade commissioner with the Canadian Embassy in Cairo, says "Now is a good time for Canadian providers of education services to introduce their innovative methods to the Egyptian market. Increasingly, foreign investors are using Egypt as a hub for their commercial activities throughout the region and this strategy also applies to the education sector."

He says opportunities are available in such areas as distance learning, in-country training, franchising of courses and qualifications and partnership programmes. Curriculum and staff development, research collaborations and foreign recruitment for post graduate studies are also potential growth areas.

Meguid points out that Canada has already made its presence felt when it comes to educational services.

"Between 2002 and 2004, the embassy organized three education fairs, which played an important role in strengthening bilateral ties and in creating opportunities for Canadian academic institutions in Egypt," says Meguid.

Canada is now perceived as an excellent partner in developing schools, training centres and universities in Egypt. Over the past three years, nine schools have been set up that offer the equivalent of a Canadian high school diploma. Egypt ranks second in the world (after China) in terms of the availability of K-12 programs offering Canadian provincial curriculum.

Success is being seen in post-secondary education too. Not only was a community college set up in collaboration with Cape Breton University, but a university—Ahram Canadian University—was established in Cairo last year in collaboration with the Association of Universities and Colleges of Canada.

Meguid adds that the government's recent reforms and increased expenditures for education and training are transforming Egypt into a huge market for workplace training and skills upgrading, as well as quality education at all levels.

For more information, contact Tarek Abdel Meguid, Trade Commissioner, Canadian Embassy in Cairo, tel.: (011-202) 791-8700, fax: (011-202) 791-8865, email: tarek.meguid@international.gc.ca.

Canada could benefit from impressive technology growth

Egypt's information and communications technology (ICT) market is growing at an astounding rate of 25% per year, a sign that opportunities could be plentiful for Canadian companies.

"Egypt has great potential to become an important partner for Canadian companies in all aspects of the ICT industry. The focus is on wireless technologies and outsourcing," says Joseph Tadros, Trade Commissioner with the Canadian Embassy in Cairo.

"Since the creation of the Egyptian Ministry of Communications and Information Technology in 1999, the Ministry managed to liberate its ICT sector, modernize its infrastructure, build capacity and promote an ICT-oriented community," says the trade commissioner.

Egypt is known to be a good outsourcing destination because it has a skilled and multilingual workforce, advanced infrastructure and e-readiness. In fact, Egypt gained international recognition last year when management consultant firm AT Kearney ranked Egypt 12th on its global outsourcing index.

"The government's policy to liberalize its telecom sector has led to the creation of a dynamic private sector that is now leading the evolution of the industry. Egypt has over 1,600 ICT companies that employ over 45,000 people," says Tadros.

For more information, contact Joseph Tadros, Trade Commissioner, Canadian Embassy in Cairo, tel.: (011-202) 791-8700, fax: (011-202) 791-8865, email: joseph.tadros@international.gc.ca, website: www.infoexport.gc.ca.

Trade agreements boost Egypt's profile - continued from page 3

multinationals have already chosen to establish themselves in Egypt.

Egypt has also signed various trade agreements to reinforce its capacity to market itself as a regional hub. In 2004, it signed the Qualified Industrial Zone Agreement with the U.S. and Israel. Through this agreement, Egyptian textile companies are able to export duty-free to the U.S. as long as 17% of their products have Israeli content. This agreement has resulted in the signing of seven more such agreements.

Egypt is also a member of the Common Market for Eastern and Southern Africa and has an association agreement with the European Union. This calls for the creation of a Euro-Mediterranean free trade zone by 2010. Egypt also has a free trade agreement with Turkey and is currently negotiating a similar one with Russia.

Canadian businesses have noted the progress made by Egypt and are increasingly looking for opportunities in this market. Egypt is currently Canada's fifth-largest market in North Africa and the Middle East. In 2005, Canadian exports to Egypt increased by 54% and reached a record high of $313 million.

For more information, contact Richard Dubuc, Canadian Embassy in Cairo, email: richard.dubuc@international.gc.ca.

Egypt quick facts

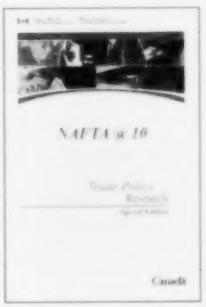
- Population: 78 million, the most populous country of the Middle East
- Population growth rate: one million per year
- Workers entering the job market every year: 600,000
- Egypt's main source of foreign revenue in 2005: oil and gas sales ($5.5 billion), the Suez Canal ($3.5 billion), tourism ($6.6 billion) and remittances from Egyptians living abroad ($1.5 billion)
- Canadian exports to Egypt in 2005: a record $313 million, up 54% from 2004
- Canada's top five exports to Egypt in 2005: coal, newsprint, iron ores, lentils and helicopters.

FACTS & FIGURES

NAFTA@10, part two: The way forward?

A recently released research volume produced by Foreign Affairs and International Trade Canada examines the Canada-U.S. Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA).

In the November 1 issue, *CanadExport* looked at the first half of the volume, which takes a look back at NAFTA and the FTA. This article looks at the second half, which considers the future and explores some potential avenues of integration, such as the adoption of a common currency and regulatory harmonization.



While research indicates that there could be benefits to a common currency if Canada wished to pursue that course, it would require U.S. cooperation in policy-setting, which is unlikely to be obtained.

According to the volume, an example of a more feasible area of cooperation would be in drug approvals. While there may be good arguments for maintaining a separate system, quickening approvals by six months could raise drug output 2.4%, employment 4.1%, and research and development by 2% in that industry alone, as well as increase new drugs available to Canadians.

The research also suggests that differences in Canada's intellectual property regulations and stricter foreign direct investment rules explain a full 55% of the labour productivity gap with the U.S. and one-third of the research and development intensity gap.

Readers should bear in mind that *NAFTA@10* is a research volume undertaken by academic and government researchers. The views expressed do not reflect the intentions or policy directions of the Government of Canada.

For more information, go to www.international.gc.ca/eet/research/trade_reseach-en.asp to read the NAFTA@10 research volume.

Provided by the Office of the Chief Economist, Foreign Affairs and International Trade Canada, www.international.gc.ca/eet.

TRADE EVENTS

AUTOMOTIVE

Cairo, June 6-11, 2007 > Automech Akhbar El Youm 2007 is the international African Arabian exhibition for vehicles, buses, motorcar workshops, services station equipment, automobile spare parts, accessories and feeding industries.
Contact: Tarek Meguid,
Canadian Embassy in Egypt,
email: tarek.meguid@international.gc.ca,
website: www.automech-online.com.

CONSUMER PRODUCTS

Cairo, June 28 - July 1, 2007 > La Casa Exhibition is one of the most important and biggest furniture and interior decoration exhibitions in Egypt and the Middle East.
Contact: Tarek Meguid,
Canadian Embassy in Egypt,
email: tarek.meguid@international.gc.ca,
website: www.ok-trust.com.

ELECTRIC POWER AND EQUIPMENT

Cairo, December 16-19, 2006 > Electricx Egypt is a power and energy exhibition targeting service providers, manufacturers, distributors and suppliers from the local and international electro-technical industry.
Contact: Tarek Meguid,
Canadian Embassy in Egypt,
email: tarek.meguid@international.gc.ca,
website: www.egytec.com.

FOREST INDUSTRIES

Cairo, March 1-4, 2007 > Apex is the Arab Africa Packing, Paper, Printing and Processing Exhibition and will feature packaging equipment and material, paper and board, printing, processing and labelling.
Contact: Magdy Ghazal,
Canadian Embassy in Egypt,
email: magdy.ghazal@international.gc.ca,
website: www.apexcairo.net.

ICT

Cairo, February 4-7, 2007 > Cairo ICT is an international telecommunications, information technology, networking, satellite and broadcasting technology trade fair for the Arab world.
Contact: Joseph Tadros,
Canadian Embassy in Egypt,
email: joseph.tadros@international.gc.ca,
website: www.cairotelecomp.com.

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MULTI-SECTOR

Cairo, March 21-30, 2007 > The Cairo International Fair is a multinational trade fair that features a variety of general goods and industrial products.
Contact: The Commercial Section of the Canadian Embassy in Egypt,
email: cairo-td@international.gc.ca,
website: www.cairofair.com.

OIL & GAS

Cairo, May 15-17, 2007 > Intergas is an international conference and exhibition for the oil and gas industry and will be led by the Egyptian Ministry of Petroleum. This event is targeting companies that want to enhance their business in Egypt's oil, gas and petrochemicals sectors. The event will include a ministry-led strategic conference as well as an international exhibition led by major state-owned companies together with their international and domestic partners and suppliers.
Contact: Joseph Tadros,
Canadian Embassy in Egypt,
email: joseph.tadros@international.gc.ca,
website: www.intergasegypt.com.

PLASTICS

Cairo, March 8-11, 2006 > Plastex 2007 is the international African-Arabian exhibition for the plastic and rubber industries. The exhibition will feature products, services, technologies and innovations from regional and international companies.
Contact: Joseph Tadros,
Canadian Embassy in Egypt,
email: joseph.tadros@international.gc.ca,
website: www.plastex-online.com.

SERVICE INDUSTRIES AND CAPITAL PRODUCTS

Cairo, April 3-5, 2007 > MIFE 2007 is the international franchising and licensing exhibition in the Middle East and North Africa. It aims to promote the franchise experience to entrepreneurs from the Middle East and North Africa and targets franchisers, franchise associations, organizations, service providers and franchise feeding industries.
Contact: The Commercial Section of the Canadian Embassy in Egypt,
email: cairo-td@international.gc.ca,
website: www.efda.org.eg.

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